



Procedures for Endorsement and Guarantee

背書保證作業程序

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Article 1 Purpose

The Procedures for Endorsement and Guarantee (the “**Procedures**”) set forth below are the guidelines for the Company and its subsidiaries to provide endorsements and/or guarantees to outside parties. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

Article 2 Scope

1. Financing endorsements/guarantees
 - (a) Bill discount financing.
 - (b) Endorsements or guarantees made to meet the financing needs of another company.
 - (c) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
2. Customs duty endorsement/guarantees: endorsements or guarantees for the Company or another company with respect to customs duty matters.
3. Other endorsements/guarantees: endorsements or guarantees outside the scope of the above two paragraphs.
4. Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.

Article 3 Entities for Which the Company May Make Endorsements/Guarantees

1. The Company may only make endorsement/guarantees to the following entities:
 - (a) Companies who have a business relationship with the Company.
 - (b) A company in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares.
 - (c) A company that directly or indirectly holds more than fifty percent (50%) of the voting shares in the Company.
2. Companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed ten percent (10%) of the net worth of the Company as stated in its latest audited or reviewed financial statement (the “**Net Worth**”), provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares.
3. In a case where the Company makes an endorsement/guarantee for a jointly invested company where all capital contributing shareholders make endorsement/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsement/guarantees may be made free of the restrictions of the preceding two paragraphs.
4. Capital contribution as referred to in the preceding paragraph shall mean a capital contribution made directly by the Company, or through a company in which the Company holds one hundred percent (100%) of the voting shares.



5. For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall require such subsidiary to submit rectification plans and on a quarterly basis submit its operation results to the Board of Directors for the Board's review.
6. In the case of a subsidiary of the Company whose shares have no par value or a par value other than NT\$10, the paid-in capital referred to in the preceding paragraph shall refer to the sum of the share capital plus the capital reserve minus the original issue premium.
7. In the event that the financial statements of the Company are prepared in accordance with the International Financial Reporting Standards, the term "net worth" as used in the Procedures shall mean the balance sheet equity attributable to the owners of the parent company.

Article 4 Restriction of Endorsement/Guarantees Amount

1. The total value of the Company's endorsements and guarantees is limited to **forty percent (40%)** of the Net Worth.
2. The total value of endorsements and guarantees to a single entity is limited to **twenty percent (20%)** of the Net Worth, provided that this restriction shall not apply to endorsements and guarantees for subsidiaries.
3. The aggregate value of the Company and its subsidiaries' endorsements and guarantees is limited to **forty percent (40%)** of the Net Worth; the total value of endorsements and guarantees to a single entity is limited to **twenty percent (20%)** of the Net Worth. If the Company intends to amend the Procedures to increase the total value of endorsements/guarantees made by the Company and its subsidiaries to more than **fifty percent (50%)** of the Net Worth, an explanation shall be made at the shareholders meeting.
4. Subject to the restrictions set forth in paragraphs 2 and 3 of this Article, for the endorsements and guarantees to the companies having a business relationship with the Company, the individual amount of the endorsement and guarantee shall not exceed the amount of business in the most recent one full year or the amount of business of the current year up until the date that the endorsement or guarantee is made, whichever is higher. The amount of business refers to the value of purchase or sales transactions between the companies, whichever is higher.
5. The meaning of the term "subsidiary" and "parent company" as used in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5 Authorization Level

1. When the Company intends to make endorsements or guarantees for others, it shall make application and evaluation through appropriate procedures to determine whether such endorsements/guarantees are in compliance with the Procedures, then submit the results of the evaluation to the Board of Directors for its approval, or in order to satisfy the need for a timely decision, the chairman of the Board of Directors may be authorized by the Board of Directors to make decisions first within an amount not exceeding **ten percent (10%)** of the Net Worth and subsequently report to the Board of Directors for ratification at the next meeting of the Board of Directors.



2. When the Company needs to exceed the limits set out in the Procedures to satisfy its business requirements, provided that the conditions set forth in the Procedures are complied with, the Company shall obtain approval from the Board of Directors and over half of all the Directors shall also jointly endorse the potential loss that may be brought about by the exceeding of the limits. The Procedures should be amended accordingly and the amendment should be submitted at the shareholders' meeting for approval. If the shareholders do not approve, the Company shall adopt a plan to discharge the amount in excess within a given time limit.
3. Where the Company has created Independent Director positions, when the Company makes endorsements / guarantees for others, it shall take into full consideration each Independent Director's opinion. Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.

Article 6 Application Procedures

1. The company requesting to be endorsed or guaranteed should submit relevant application documentation to the Finance Department; the Finance Department should review item by item the qualification of the company to be endorsed or guaranteed, and issue an evaluation report. The items to be contained in an evaluation report should include:
 - (a) The necessity of and reasonableness of the endorsements or guarantees.
 - (b) Credit status and risk assessment of the entity for which the endorsement/guarantee is to be made
 - (c) The impact on the Company's business operations, financial condition, and shareholders' equity
 - (d) Whether collateral must be obtained and appraisal of the value thereof
2. The endorsement/guarantee application and a comprehensive risk assessment report should be reported to the Chairman of the Board of Directors, and then presented to the Board of Directors for approval. If it is within the amount which the Board of Directors authorizes the Chairman of the Board of Director to approve at his/her discretion, the Chairman of Board of Directors may approve the endorsement/guarantee first and then subsequently report to the Board of Directors for ratification at the next meeting of the Board of Directors.
3. The Finance Department shall prepare a log book for the Company's endorsement/guarantee activities, and record in detail of the following information for recordation: the party endorsed or guaranteed, amount of endorsement/guarantee, the date of approval by the Board of Directors or the Chairman of the Board of Directors, the date the endorsement/guarantee was made, and the matters required to be carefully evaluated.
4. The Finance Department should periodically evaluate and record contingent losses of the endorsements or guarantees, and shall adequately disclose relevant information in financial reports, and provide relevant information to certified public accountants for implementation of necessary audit procedures.
5. If, as a result of a change in circumstances, an entity for which an



endorsement/guarantee is made no longer meets the requirements of the Procedures, or the amount of endorsement/guarantee exceeds the limit, the Finance Department shall adopt rectification plans and submit the rectification plans to the Board of Directors (and the Audit Committee, if the Company has established an Audit Committee), and shall complete rectification according to the timeframe set out in the plans.

Article 7 Cancellation of Endorsement/Guarantee

1. In the event that a debt is repaid or the debt term is extended so that the relevant endorsement or guarantee needs to be cancelled, the applicant company shall deliver a formal letter with the original notes endorsed and relevant documents to the Finance Department. The Finance Department shall chop 'cancelled' on the endorsed notes, and file them for later reference.
2. The Finance Department shall register the cancelled notes in the log book for its endorsement/guarantee activities so as to reduce the accumulated amount of endorsements.

Article 8 Internal Control

The internal auditors of the Company shall audit the Procedures and its implementation on at least a quarterly basis, make written records, and notify the Board of Directors in written form if a material breach of the Procedures is found. If the Company has established an Audit Committee, the Audit Committee shall be notified in writing instead of the Board of Directors.

Article 9 Procedures for Use and Custody of Corporate Chops

The Company shall maintain a chop for use as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the Board of Directors and may be used to seal or issue negotiable instruments only in compliance with prescribed procedures.

When providing a guarantee to a non-Republic of China ("R.O.C.") company, the guarantee letter should be executed and signed by the Chairman of the Board of Directors or the person delegated by the Board of Directors.

Article 10 Public Disclosure and Reporting

1. After the public offering of the Shares of the Company has taken place in the R.O.C., the Company shall announce and report the previous month's balance of endorsements/guarantees made by itself and its subsidiaries by the 10th day of each month.
2. After the public offering of the Shares of the Company has taken place in the R.O.C., if the outstanding amount of endorsements/guarantees of the Company and its subsidiary meet any of the following criteria, the Company shall disclose and report the relevant information within two days of the occurrence of the event:
 - (a) The Company and its subsidiaries' balance of endorsements/guarantees reaches fifty percent (50%) or more of the Company's Net Worth.
 - (b) The Company and its subsidiaries' balance of endorsements/guarantees to one single enterprise reaches twenty percent (20%) or more of the Company's Net Worth.
 - (c) The Company and its subsidiaries' balance of endorsements/guarantees to one



single enterprise reaches NT\$10,000,000 or more, and the aggregate value of all endorsements/guarantees for, investments of a long-term nature in, and balance of loans to such enterprise reaches thirty percent (30%) or more of the Company's Net Worth.

- (d) The value of the Company or its subsidiaries' new endorsements/guarantees reaches NT\$30,000,000 or more, and reaches five percent (5%) or more of the Company's Net Worth.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the R.O.C. on any matters that such subsidiary is required to announce and report pursuant to subparagraph (d) of the preceding paragraph.
4. The term "announce and report" as used in the Procedure means the process of entering data to the information reporting website designated by the Financial Supervisory Commission of the R.O.C.
5. The term "date of occurrence of the event" as used in this Article 10 refers to the date of contract signing, date of payment, date of Board of Directors' resolution, or another date that can confirm the counterparty and monetary amount of the transaction, whichever date is the earliest.

Article 11 Procedures for Managing Endorsements/Guarantees by Subsidiaries

1. Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own operational procedures for endorsement and guarantee in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies of the R.O.C., and the subsidiary shall comply with its own procedures while making endorsements/guarantees..
2. Subsidiaries of the Company should monthly prepare and report a detailed list of previous month's endorsements/guarantees to the Company.
3. Where endorsements/guarantees are made between the Company and companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares in pursuant to paragraph 2 of Article 3, prior approvals from the Board of Directors shall be obtained, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares.

Article 12 Sanctions for Non Compliance

The endorsement/guarantee activities of the Company shall be effected according to the Procedures, and in the case of a material breach, the managers and persons in charge shall be sanctioned in according to the personnel management regulations of the Company depending on the circumstances of the violation.

Article 13 Implementation and Amendment

1. The Procedures will come into force after the approval of the Audit Committee (if the Company has established an Audit Committee) and the Board of Directors, and submission to the shareholders' meeting for approval. Where any Director expresses dissent and the dissenting opinion is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the Audit Committee and the



shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.

2. Where the Company has Independent Director, the Board of Directors shall take into full consideration of each Independent Director's opinion; the Independent Director's opinion specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.